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FISCAL IMPACT STATEMENT

LS 7602

BILL NUMBER: HB 1206

NOTE PREPARED: Jan 7, 2007

BILL AMENDED:

SUBJECT: Donations to Community Foundations.

FIRST AUTHOR: Rep. Pelath

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill allows an Adjusted Gross Income Tax credit for a donation made by the taxpayer to a community foundation. It provides that the credit is 50% of the contribution. It provides that, in the case of an individual, the credit may not exceed \$100 for a single return or \$200 for a joint return. It also provides that, in the case of a corporation, the credit may not exceed the lesser of \$1,000 or 10% of a corporation's Adjusted Gross Income Tax.

Effective Date: January 1, 2008.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the changes to this credit. The Department's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual and corporate taxpayers that make donations to community foundations located inside and outside of Indiana. The revenue loss due to this bill is indeterminable but could be significant. The magnitude of the loss would depend on the pool of community foundations to which taxpayers could, in the future, make contributions. It would also depend on the extent to which taxpayers who don't already claim the college contribution tax credit, 21st Century Scholars tax credit, the neighborhood assistance tax credit, or the maternity home tax credit make creditable donations to a community foundation. (Note: The bill disallows the credit for community foundation donations if the taxpayer claims any of these four existing tax credits.)

Currently, there are as many as 700 community foundations nationwide and 97 community foundations in

Indiana. In 2004, gifts to Indiana community foundations totaled about \$114.0 M. However, the proportion of these gifts attributable to individuals and corporations, and the average gift, is unknown. The fiscal impact of this proposal would begin in FY 2009.

Background: The bill establishes a nonrefundable AGI Tax credit for donations by individual and corporate taxpayers to community foundations. The bill defines a community foundation as an organization that is treated as a community trust under Section 170 of the Internal Revenue Code, including a trust, a nonprofit corporation, an unincorporated association, or any combination of these organizations. The bill does not limit the credit to donations to Indiana community foundations. The credit is limited to 50% of the donation up to a maximum of \$100 for a single taxpayer or \$200 for taxpayers filing a joint return. For corporations, the credit is equal to the lesser of 50% of the donation, 10% of the corporation's AGI Tax liability, or \$1,000. The bill also disallows the credit if the taxpayer claims the college contribution tax credit, 21st Century Scholars tax credit, the neighborhood assistance tax credit, or the maternity home tax credit.

The *Indiana Grantmakers Alliance* reports that there are currently 97 community foundations operating in Indiana. Financial data from the *Foundation Center* indicates that gifts to Indiana foundations totaled approximately \$114.0 M in 2004 (the latest year for which data is available). The annual gift total has declined by an average of 4.7% since 1999 when gifts to Indiana community foundations totaled about \$145.0 M. Nationally, the *Foundation Center* reports that about 700 community foundations operate.

Revenue from the AGI Tax on corporations is deposited in the state General Fund. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund. Since the change is effective beginning in tax year 2008, the fiscal impact would begin in FY 2009.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Indiana Grantmakers Alliance, <http://www.indianagrantomakers.org>. The Foundation Center, <http://foundationcenter.org>.

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